



JACKSON ENERGY
COOPERATIVE

115 Jackson Energy Lane
PO Box 307, McKee, Kentucky 40447
Telephone (606) 364-1000 • Fax (606) 364-1007

July 18, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P O Box 615
Frankfort KY 40602-0615

Re: Application for Certificate of Convenience and Necessity

Dear Ms. O'Donnell:

Please find attached documentation concerning Jackson Energy Cooperative's 2005-2007 Construction Work Plan. I have enclosed an original and three copies of the work plan and an original and ten copies of the other items of the Application.

Please inform me of any additional information necessary for this application.

Sincerely,

JACKON ENERGY COOPERATIVE

Ronald Fuller
Vice President Engineering & Operations

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PUBLIC SERVICE
COMMISSION

Case 2005-00305

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

APPLICATION OF JACKSON ENERGY COOPERATIVE)
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY)
PERSUANT TO K.R.S. 278.020 (1) AND 807 K.A.R. 5:001,)
SECTION 9 AND RELATED SECTIONS, AUTHORIZING)
CERTAIN PROPOSED CONSTRUCTION IDENTIFIED AS)
THE 2005-2007 CONSTRUCTION WORK PLAN)

CASE NO.

2005-00305

APPLICATION

The application of Jackson Energy Cooperative (JEC) respectively shows:

1. JEC is a nonprofit membership cooperative corporation without capital stock, duly organized and existing under K.R.S. Chapter 279, engaged in the business of supplying electric energy to its member-consumers in the Kentucky counties of Breathitt, Clay, Estill, Garrard, Jackson, Laurel, Lee, Leslie, Lincoln, Madison, Owsley, Powell, Pulaski, Rockcastle, and Wolfe.

2. The name and postal address of the Applicant is as follows:

JACKSON ENERGY COOPERATIVE
115 JACKSON ENERGY LANE
POST OFFICE BOX 307
MCKEE KENTUCKY 40447

3. The Articles of Incorporation and all but one of the amendments thereto for Jackson Energy Cooperative were filed with the Commission in PSC Case No. 92-496, for a flow through rate reduction. Jackson Energy Cooperative's name change amendment was filed under the 2001-2002 Construction Work Plan Case No. 2001-023, 807 K.A.R. 5:001, Section 8(3).

4. JEC plans to construct new distribution facilities and to upgrade existing

distribution facilities of JEC as more particularly shown in Exhibit 2 (“sometimes referred to herein as the work plan”) and on the system maps filed with this application. Those distribution facilities will provide service to retail electric consuming facilities located in the territory certified to JEC for retail electric service under K.R.S. 278.016-.018.

5. The work plan covers the period of two years between May 1, 2005 and May 1, 2007, and was prepared by the Jackson Energy Cooperative Engineering department. A copy of the work plan narrative and summaries is filed herein and made a part hereof as Exhibit 2. The work plan was submitted to the Rural Electrification Administration (“REA”), Washington, D.C., for approval, which was granted May 20, 2005 (copy included as Exhibit 1.)

6. The work plan was approved by the JEC Board of Directors on June 10, 2005. See Exhibit 3.

7. JEC states that all the work proposed to be performed would ordinarily be exempt under K.R.S. 278.020 and 806 K.A.R. 5:001, Section 9 (3), from the requirement of a certificate of public convenience and necessity. However, because the Commission has informally determined that construction of the magnitude proposed herein involves sufficient capital outlay to possibly materially affect the existing financial condition of the utility under that section, JEC is requesting an order pursuant to K.R.S. 278.020 (1) and 807 K.A.R. 5.001, Section 9 (2), authorizing the construction proposed herein. In support thereof, JEC states:

A. The proposed new construction is or will be required by public

convenience and necessity as shown in this application, in the work plan and in the other exhibits filed with this application.

B. No franchises or permits are required for the proposed construction and extensions.

C. A full description of the proposed location, route or routes of the new construction and extensions, including a description of the manner in which it will be constructed, are shown in the work plan. The proposed new construction and extensions will not compete with any other public utilities, corporations or persons.

D. JEC attaches the testimony of Ronald Fuller, Vice President of Engineering and Operations, in further support of this application. This testimony is attached as Exhibit 4.

8. JEC anticipates filing a loan application with REA, the National Bank for Cooperatives (“CoBank”) or the National Rural Utilities Cooperative Finance (NRUCFC) within the next year for long-term financing for the construction contained in the work plan. That financing will reimburse the general funds expended for the initial part of the work plan and finance the balance of the construction. JEC will request Commission approval for supplemental financing.

9. JEC files with the original of this application and makes a part hereof an original and three (3) copies of the complete work plan and an original and three (3) copies of an up-to-date system maps showing the location of the facilities JEC seeks authority to construct or upgrade. The system map is keyed to the contents of Exhibit 2,

the work plan. As a part of the work plan JEC files an original and three (3) copies of the associated load studies.

10. The cost of operation of the proposed facilities for JEC is shown in Exhibit 5.

11. The long-term debt required to fund the proposed work plan totals \$22,341,000. Long term financing options from REA, CoBank and NRUCFC will be evaluated. The amortization schedules for the long-term debt to be incurred will be filed with JEC's application for approval of that financing.

12. The current revenues are sufficient to cover any additional operating expenses that will be incurred in relation to the work plan. Also, the addition of new consumers, consisting of industrial and commercial growth, should provide additional revenue to meet any additional expenses. The newer, upgraded lines should also lower line losses that will help meet the additional costs. (807 K.A.R. 001, Section 9(2)(f)).

WHEREFORE, JEC respectfully requests the Commission to make its order issuing a certificate of convenience and necessity authorizing JEC to proceed with the construction of facilities referred to above, and for such other relief as the Commission may deem appropriate or to which JEC may appear entitled.

Witness my hand this 6th day of July 2005.



Donald R. Schaefer

President & CEO

Subscribed and sworn before me this 6 day of July 2005.



Notary Public

COMMONWEALTH OF KENTUCKY)

COUNTY OF JACKSON)

I, Ronald Fuller, state that I am the Vice President of Engineering and Operations at Jackson Energy Cooperative, that I have personal knowledge of the matters set forth in this application and attached exhibits, and that the statements and calculations contained in each are true as I verily believe.

This 28th day of June, 2005

Ronald Fuller

Ronald Fuller

SUBSCRIBED AND SWORN to before me by Ronald Fuller, on the 28th day of June, 2005.

Connie Reid

Notary Public, KY State at Large

My Commission Expires: 7-30-08

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Exhibit 1	REA Work Plan Approval
Exhibit 2	2005-2007 Construction Work Plan
Exhibit 3	Board Resolution Approving Work Plan
Exhibit 4	Testimony of Ronald Fuller
Exhibit 5	Estimated Cost of Operation

**United States
Department of
Agriculture**

**Rural Economic
and Community
Development**

**Rural
Utilities
Service**

**Washington,
DC
20250**

May 20, 2005

2005-2007 Construction Workplan (CWP)

Don Schaefer, President & CEO
Jackson Energy Cooperative Corporation

I have completed my review of the cooperative's 2005-2007 CWP, which was prepared by the Jackson Energy Engineering Department, and find it to be generally satisfactory for loan contract purposes. Approval to proceed with the proposed distribution system construction is contingent upon RUS's review and approval of an Environmental Report (reference 7 CFR 1794).

Headquarters, SCADA, and load management projects will be reviewed/approved by the Northern Regional Division office, as necessary. This action will be taken after their receipt of the CWP and other supporting documents (i.e., appropriate feasibility and engineering studies).

You should make a special effort to inform all of the cooperative's employees and contractors, involved in the construction of utility plant of any commitments made in the Environmental Report covering the construction of the facilities recommended in the CWP.

Changes (line improvements, tie lines, extensions, substations, etc.) in the CWP will require RUS approval. The environmental acceptability of any such changes shall also be established in accordance with 7 CFR 1794. The procedure for satisfying these environmental requirements shall be the same as that used in connection with this CWP approval.

It is your responsibility to determine whether or not loan funds and/or general funds are available for the proposed construction. If general funds are used, the requirements as outlined in 7 CFR 1717 need to be followed.

The construction shall be accomplished in accordance with RUS requirements. Specific reference should be made to 7 CFR 1726, Electric System Construction Policies and Procedures.



Mike Norman
RUS Field Representative

JACKSON ENERGY COOPERATIVE CORPORATION

**RESOLUTION 2005-6-07
2005-2007 CONSTRUCTION WORK PLAN APPLICATION**

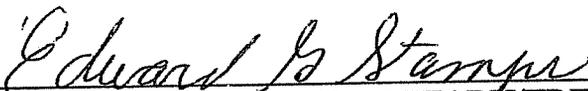
WHEREAS, Jackson Energy's Engineering Department has prepared the 2005-2007 Construction Work Plan (PLAN), and

WHEREAS, the PLAN has been approved by Mark Abner, P.E., licensed in the Commonwealth of Kentucky, and

WHEREAS, the PLAN includes \$22,091,000 for distribution construction and \$250,000 for a storage building at the McKee District Office, and

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors adopt the 2005-2007 Construction Work Plan as a course of action, to be followed or until amended, with the approval of the Rural Utilities Service.

I, Edward Stamper, Secretary/Treasurer of the Jackson Energy Cooperative Corporation hereby certify that the foregoing is a full, true and correct copy of the Resolution duly passed by the Board of Directors of Jackson Energy Cooperative Corporation at a meeting duly called and held in compliance with the by-laws of the Cooperative on the 10th day of June 2005, at which meeting a quorum was present, and that the Resolution as set out above appears in the minutes of that meeting in the Minute Book of the Cooperative dated this 10th day of June, 2005.



EDWARD STAMPER, SECRETARY/TREASURER

Testimony of Ronald Fuller

Q1: Please state your name, address and occupation.

A1: My name is Ronald Fuller. My mailing address is P.O. Box 307, McKee, KY 40447. I am the Vice President of Engineering and Operations for Jackson Energy Cooperative Corporation, Inc.

Q2: What is your educational and work experience background?

A2: I have Bachelor of Science Degree in Engineering Technology from East Tennessee State University and a Masters of Business Administration from Florida Institute of Technology. I have 19 years of experience in the power industry with emphasis on power distribution, system planning, electric facility design and operations management. I have extensive experience in the areas of project management and implementing improvements of electric distribution systems. My work experience includes the following:

2004 – Present	Jackson Energy	V.P. of Engineering & Operations
1994 – 2004	Southern Maryland Electric Cooperative	District Manager
1994 – 1994	Southern Maryland Electric Cooperative	Distribution Engineering Supervisor
1990 – 1994	Southern Maryland Electric Cooperative	Distribution Engineer
1989 – 1990	Southern Maryland Electric Cooperative	Senior Associate Engineer
1986 – 1989	Southern Maryland Electric Cooperative	Associate Engineer

Q3: Have your duties at Jackson Energy involved you in the preparation of the application and exhibits in this matter?

A3: Yes. My general responsibilities include the planning and design of electric distribution plant and facilities. I supervised the two-year work plan that has been filed in this matter.

Q4: Are you familiar with the application and attached exhibits filed by Jackson Energy in this case?

A4: Yes, I am familiar with the two-year work plan and the system maps that are attached in Exhibit 2. To the best of my knowledge and belief, all facts stated in the application are true and correct.

Q5: Will you incorporate the contents of those exhibits and the application by reference in your testimony?

A5: Yes.

Q6: Does this conclude your testimony?

A6: Yes.

STATE OF KENTUCKY)

COUNTY OF JACKSON)

The foregoing testimony is true and correct to the best of my knowledge and belief.

This 28th day of June 2005.



Ronald Fuller

SUBSCRIBED AND SWORN to before me by Ronald Fuller this
28th day of June, 2005.



Notary Public, KY State at Large

My Commission Expires: 7-30-08

Jackson Energy Cooperative
 Estimated Cost of Operation on AX44 Work Plan
 For PSC Approval Application

Exhibit 5

Depreciation:

Account No.	Balance 4/30/2005	Monthly Rate X 12	Depreciation	Percent of Total	Estimated Capitalization	Estimated Depreciation
362.00	\$1,057,849.41	0.0276	\$29,196.64	0.006046	\$133,563	\$3,686
364.00	\$52,276,182.06	0.0378	\$1,976,039.68	0.409188	\$9,039,372	\$341,688
365.00	\$42,154,407.43	0.02952	\$1,244,398.11	0.257683	\$5,692,475	\$168,042
366.00	\$29,207.24	0.02076	\$606.34	0.000126	\$2,783	\$58
367.00	\$944,215.85	0.03372	\$31,838.96	0.006593	\$145,646	\$4,911
368.00	\$23,706,636.08	0.0276	\$654,303.16	0.13549	\$2,993,110	\$82,610
369.00	\$14,144,625.53	0.03816	\$539,758.91	0.11177	\$2,469,111	\$94,221
370.00	\$6,733,976.27	0.02928	\$197,170.83	0.040829	\$901,953	\$26,409
371.00	\$3,237,256.63	0.04524	\$146,453.49	0.030327	\$669,954	\$30,309
373.00	\$212,482.67	0.04428	\$9,408.73	0.001948	\$43,033	\$1,906
390.00		0.0204			\$250,000	\$5,100
	\$144,496,839.17		\$4,829,174.85	1.00000	\$22,341,000	\$758,940

Property Taxes:

2004 Taxes	Property @ 12/31/03	Average Rate	Work Plan Amount	Estimated Taxes
\$1,094,672	\$122,772,645	0.00891625	\$22,341,000	\$199,198

Interest Expense:

Plant	Estimated Interest Rate	Estimated Interest Expense
\$22,341,000	0.05	\$1,117,050

Operation and Maintenance estimated expense \$400,000

Estimated cost of operation after the proposed facilities are completed \$2,475,188

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2005-2007 Construction Work Plan

Kentucky 03 Jackson



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RETURN POSTAGE GUARANTEED

2005-2007 Construction Work Plan
Projected 2007 Load
Without Improvements

CASE 2005-00305



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RETURN POSTAGE GUARANTEED

2005-2007 Construction Work Plan
Projected 2007 Load
With Improvements



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2005-2007 Construction Work Plan
Existing Conditions 2005
Unbalanced Voltage Drop



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2005-2007 Construction Work Plan
Existing Conditions 2005
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